

Service Date: September 26, 1996

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

|                                    |   |                        |
|------------------------------------|---|------------------------|
| IN THE MATTER OF the Application   | ) |                        |
| of the Montana Power Company for   | ) | UTILITY DIVISION       |
| Authority to Establish a Preferred | ) | DOCKET NO. D96.9.154   |
| Securities Financing Program.      | ) | DEFAULT ORDER NO. 5942 |

BACKGROUND

1. On September 17, 1996, The Montana Power Company (Applicant), a corporation organized and existing under the laws of the state of Montana, filed with the Montana Public Service Commission (Commission) its application pursuant to Montana Code Annotated sections 69-3-501 through 69-3-507 (1995), seeking an order to issue and sell or exchange up to \$104,000,000 of its Deferrable Interest Junior Subordinated Debentures and to guarantee certain obligations in connection with a Quarterly Income Preferred Securities financing program.

2. The application is supported by exhibits and data in accordance with Commission practice and rules and regulations governing the issuance and sale of securities by public utilities operating within the state of Montana.

3. The application states that the Applicant is a public utility as defined in MCA section 69-3-101, in that it furnishes electric and natural gas service in the state of Montana; that the Applicant's principal executive office is at 40 East Broadway, Butte, Montana; and that the Applicant is duly qualified to do business in the states of Montana, Wyoming and Idaho. For detailed information with respect to the general character of the Applicant's business and the territory served by it, reference is made to the application.

FINDINGS

4. The Applicant is a corporation organized and existing under and by virtue of the laws of the state of Montana and is qualified to transact business in the state of Montana.

5. The Applicant is a public utility as defined in MCA section 69-3-101 and is engaged in furnishing electric and natural gas service in the state of Montana.

6. The Commission has jurisdiction over the subject matter of the application under MCA section 69-3-501.

7. The application states that the Applicant, to effect the Program, would create a Delaware statutory business trust, Montana Power Capital I (the "Trust"), which would issue preferred and common securities, the proceeds of which would be invested in the Debentures.

8. The application states that the proceeds from the sale of the Debentures would be used: (I) to acquire up to \$4,000,000 of Common Securities (as defined in the application) of the Trust (representing all of the Common Securities of the Trust and approximately 3% of the aggregate liquidation amount of all of the Trust Securities, as such term is defined in the application); (ii) to redeem or otherwise retire, at an effective cost of money to the Applicant lower than its existing dividend obligations, certain series of the Applicant's outstanding Preferred Stock, and (iii) for other corporate purposes recognized by MCA section 69-3-501.

9. The Applicant has undertaken to inform the Commission, as soon as is reasonably practicable after the closing of any transaction approved by this Order, the amount(s) issued, the prices, the maturities, interest rates, distribution rates and proceeds received.

10. The Applicant has furnished complete financial data with its application in accordance with developed practice of the Commission. The application sets forth a copy of the corporate resolutions pertaining hereto.

#### CONCLUSION OF LAW

1. The securities transactions proposed by the application, as hereinafter authorized, will be for a lawful purpose and are consistent with the public interest; are necessary or appropriate for and consistent with the proper performance by the Applicant of service as a public utility; and the aggregate amount of the securities outstanding, and proposed to be outstanding, will not exceed the fair value of the properties and business of the Applicant.

ORDER

1. The application of The Montana Power Company for authority to issue and sell or exchange up to \$104,000,000 of Debentures and to make the Guarantee, is approved.

2. In accordance with MCA section 69-3-507, neither the issuance of securities by the Applicant pursuant to this Order nor any act or deed done and performed in connection herewith, shall be construed to obligate the state of Montana to pay or guarantee, in any manner whatsoever, any security authorized, issued, assumed, or guaranteed under the provisions of MCA sections 69-3-501 through 69-3-507.

3. Issuance of this Order does not mean acceptance of the Applicant's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

DONE IN OPEN SESSION at Helena, Montana this 23rd day of September 1996, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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NANCY McCAFFREE, Chair

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DAVE FISHER, Vice Chair

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BOB ANDERSON, Commissioner

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DANNY OBERG, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.